

Auditing Procedures Report

Issued under P.A. 2 of 1988, as amended and P.A. 71 of 1919, as amended.

| | | | |
|--|---------------------------------|---|-------------------|
| Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Unit Name City of the Village of Clarkston | County Oakland |
| Fiscal Year End June 30, 2007 | Opinion Date October 1, 2007 | Date Audit Report Submitted to State October 8, 2007 | |

We affirm that:

We are certified public accountants licensed to practice in Michigan.

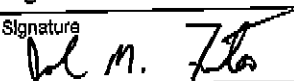
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

^{YES} _{NO} Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

| | | | |
|--|-------------------------------------|--|--------------|
| We have enclosed the following: | Enclosed | Not Required (enter a brief justification) | |
| Financial Statements | <input checked="" type="checkbox"/> | | |
| The letter of Comments and Recommendations | <input checked="" type="checkbox"/> | | |
| Other (Describe) | <input type="checkbox"/> | | |
| Certified Public Accountant (Firm Name) Janz & Knight, P.L.C. | | Telephone Number (248) 646-9666 | |
| Street Address 300 East Long Lake Road, Suite 360 | | City Bloomfield Hills | State MI |
| Authorizing CPA Signature  | | Printed Name John M. Foster | Zip 48304 |
| | | License Number 1101016537 | |

CITY OF THE VILLAGE OF CLARKSTON
OAKLAND COUNTY, MICHIGAN

Report on Audit of Accounts

June 30, 2007

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

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JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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50
YEARS
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of the Village of Clarkston
Oakland County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of the Village of Clarkston, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of the Village of Clarkston, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.
Certified Public Accountants

Bloomfield Hills, Michigan

October 1, 2007

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of the Village of Clarkston's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$3,405,682 at the close of the year ended June 30, 2007. This represents a decrease of \$68,930 or a 2.0% decrease from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities net assets decreased \$63,210. This decrease was primarily the result of assets being depreciated that were capitalized in prior years. The business-type activity had a decrease of \$5,720 in net assets. This decrease was from depreciation of sewer capital assets.

The following table reflects the condensed Statement of Net Assets for the years ended June 30, 2007 and 2006:

Table 1
Statement of Net Assets

| | <u>Governmental Activities</u> | | <u>Business-Type Activity</u> | | <u>Total</u> | |
|--|--------------------------------|--------------|-------------------------------|-------------|--------------|-------------|
| | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> | <u>2007</u> | <u>2006</u> |
| ASSETS | | | | | | |
| Current and other assets | \$ 1,710,269 | \$ 1,860,516 | \$ 262,782 | \$ 137,352 | \$1,973,051 | \$1,997,868 |
| Capital assets | 5,481,555 | 5,727,881 | 222,484 | 252,235 | 5,704,039 | 5,980,116 |
| Total assets | \$ 7,191,824 | \$ 7,588,397 | \$ 485,266 | \$ 389,587 | \$7,677,090 | \$7,977,984 |
| LIABILITIES AND NET ASSETS | | | | | | |
| Current and other liabilities | \$ 178,323 | \$ 260,432 | \$ 24,079 | \$ (77,320) | \$ 202,402 | \$ 183,112 |
| Long term debt outstanding | 4,069,006 | 4,320,260 | | | 4,069,006 | 4,320,260 |
| Total liabilities | \$ 4,247,329 | \$ 4,580,692 | \$ 24,079 | \$ (77,320) | \$4,271,408 | \$4,503,372 |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 1,412,549 | 1,407,621 | 222,484 | 252,235 | 1,635,033 | 1,659,856 |
| Restricted | 1,443,670 | 1,543,012 | | | 1,443,670 | 1,543,012 |
| Unrestricted | 88,276 | 57,072 | 238,703 | 214,672 | 326,979 | 271,744 |
| Total net assets | \$ 2,944,495 | \$ 3,007,705 | \$ 461,187 | \$ 466,907 | \$3,405,682 | \$3,474,612 |
| Total liabilities and net assets | \$ 7,191,824 | \$ 7,588,397 | \$ 485,266 | \$ 389,587 | \$7,677,090 | \$7,977,984 |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2007

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled \$1,443,670. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the years ended June 30, 2007 and 2006:

Table 2
Changes in Net Assets

| | Governmental Activities | | Business-Type Activity | | Total | |
|------------------------------------|-------------------------|--------------|------------------------|-------------|-------------|-------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Program revenue: | | | | | | |
| Charges for services | \$ 83,052 | \$ 83,554 | \$ 116,582 | \$ 107,429 | \$ 199,634 | \$ 190,983 |
| Operating grants and contributions | 67,249 | 60,704 | | | 67,249 | 60,704 |
| Capital grants and contributions | 32,077 | 117,021 | | | 32,077 | 117,021 |
| General revenue: | | | | | 834,015 | 811,184 |
| Property taxes | 834,015 | 811,184 | | | 81,607 | 83,644 |
| State shared revenue | 81,607 | 83,644 | | | 99,693 | 91,378 |
| Interest income | 91,247 | 87,250 | 8,446 | 4,128 | 11,126 | 10,349 |
| Franchise fees | 11,126 | 10,349 | | | 4,677 | 3,519 |
| Miscellaneous | 4,677 | 3,519 | | | | |
| Total revenue | \$ 1,205,050 | \$ 1,257,225 | \$ 125,028 | \$ 111,557 | \$1,330,078 | \$1,368,782 |
| Program expenses: | | | | | 206,119 | 202,923 |
| General government | 206,119 | 202,923 | | | 429,478 | 425,354 |
| Public safety | 429,478 | 425,354 | | | 391,387 | 382,443 |
| Public works | 391,387 | 382,443 | | | | |
| Community and economic development | 4,131 | 3,322 | | | 4,131 | 3,322 |
| Recreation and culture | 40,143 | 42,478 | | | 40,143 | 42,478 |
| Interest on long term debt | 197,002 | 208,406 | | | 197,002 | 208,406 |
| Sewer | | | 130,748 | 129,108 | 130,748 | 129,108 |
| Total program expenses | \$ 1,268,260 | \$ 1,264,926 | \$ 130,748 | \$ 129,108 | \$1,399,008 | \$1,394,034 |
| Increase (decrease) in net assets | \$ (63,210) | \$ (7,701) | \$ (5,720) | \$ (17,551) | \$ (68,930) | \$ (25,252) |
| Net assets - beginning of year | 3,007,705 | 3,015,406 | 466,907 | 484,458 | 3,474,612 | 3,499,864 |
| Net assets - end of year | \$ 2,944,495 | \$ 3,007,705 | \$ 461,187 | \$ 466,907 | \$3,405,682 | \$3,474,612 |

As shown in the above table total revenues were approximately \$1.33 million, of which 63% was obtained from property taxes, 15% for fees charged for services and 6% for state shared revenues. Total expenses were approximately \$1.40 million, of which 31% was for public safety, 28% for public works and 9% for sewer.

Business Type Activities

The City's business-type activity consists of the Sewer Fund. The City provides sewer service to the entire City.

The City Funds

The analysis of the City's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2007 include the General Fund, Major Road Fund, Local Road Fund, Water Debt Fund, SAD 1, 2 and 4 2002 Bond Retirement Fund and SAD 3 2003 Bond Retirement Fund.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2007

The City Funds (continued)

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$855,200. Of this revenue, 73% was from property taxes, and 10% was from state shared revenues. Total expenditures for the year were approximately \$767,500. Of these expenditures, 53% was for public safety, 7% was for public works, and 24% was for general government. At June 30, 2007 the unreserved fund balance of \$98,276 represented 11% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2007 was \$41.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2007 was \$9.

The Water Debt Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2007 was \$57,494.

The SAD 1, 2 and 4 2002 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2007 was \$209,162.

The SAD 3 2003 Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The fund balance of this fund at June 30, 2007 was \$188,494.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Building permit revenue and related expenditures were amended to reflect increased activity during the year. Community Development Block Grant revenue and expenditures were amended to reflect reduced activity. State shared revenue was amended to reflect reduced collections. Contributions and Interest earnings were amended to reflect additional collections. City Hall wages, clerk publications, building and maintenance, vehicle maintenance, and capital outlay were amended to reflect additional costs. Police wages, audit, fire protection, and street lighting were amended to reflect less than anticipated costs.

Most departments were in line with budgeted amounts. Actual revenues exceeded budgeted amount by \$51,009.

Capital Asset and Debt Administration

At the end of June 30, 2007, the City had \$5,704,039 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and sewer and water lines.

Major expenditures for capital assets during the year included the following:

1. Garage doors - \$3,880
2. City signs - \$6,000.

Long-Term Debt

The City's total indebtedness at June 30, 2007 was \$4,069,007. The City does not currently have a rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note F.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

June 30, 2007

Economic Factors and Next Year's Budgets and Rates

The City's 2008 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2008 are as follows:

| | 2008 Mills <u>Levied</u> | 2007 Mills <u>Levied</u> |
|--------------------|--------------------------------|--------------------------------|
| General operations | 12.8943 | 13.1979 |
| Debt service | 4.6455 | 4.5004 |

Property tax revenues are expected to increase slightly. This is the result of expected increases in taxable value within the City. Building inspection fees are expected to decrease. Other revenues are expected to be consistent with the prior year amounts.

Expenditures

The City expects building maintenance, building inspector, police supplies, police equipment rental and vehicle maintenance to be lower than the prior year.

The City expects sidewalk maintenance, police legal fees, police gas and oil, and police training to be higher. Police salaries and wages and police dispatch are higher due to the addition of the midnight shift and contract renewal with Oakland County.

The 2008 General Fund budget expects a surplus of approximately \$17,200. The projected unreserved General Fund's fund balance at June 30, 2008 is approximately \$105,500 which represents approximately 14% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the City Office, at the City of the Village of Clarkston, 375 Depot Road, Clarkston, Michigan 48346.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

| | Governmental Activities | Business-type Activity | Total |
|---|----------------------------|---------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 746,559 | \$ 243,636 | \$ 990,195 |
| Receivables: | | | |
| Taxes | 9,562 | | 9,562 |
| Customers | | 19,146 | 19,146 |
| Special assessments | 910,918 | | 910,918 |
| Agency funds | 708 | | 708 |
| Other | 11,987 | | 11,987 |
| Due from other governments | 30,535 | | 30,535 |
| Capital assets, net | 5,481,555 | 222,484 | 5,704,039 |
| Total assets. | \$ 7,191,824 | \$ 485,266 | \$ 7,677,090 |
| LIABILITIES AND NET ASSETS | | | |
| Liabilities: | | | |
| Accounts payable and other liabilities | \$ 16,251 | \$ 21,874 | \$ 38,125 |
| Deposits | 6,535 | | 6,535 |
| Accrued interest | 50,900 | | 50,900 |
| Internal balances | (2,205) | 2,205 | |
| Due to other governments | 106,842 | | 106,842 |
| Noncurrent liabilities: | | | |
| Due within one year | 261,807 | | 261,807 |
| Due in more than one year | 3,807,199 | | 3,807,199 |
| Total liabilities | \$ 4,247,329 | \$ 24,079 | \$ 4,271,408 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 1,412,549 | 222,484 | 1,635,033 |
| Restricted for: | | | |
| Major and local roads | 50 | | 50 |
| Debt service | 1,340,745 | | 1,340,745 |
| Capital project | 38,350 | | 38,350 |
| Mill Pond Lake Improvement | 22,076 | | 22,076 |
| Building code enforcement | 14,905 | | 14,905 |
| Rain garden | 1,471 | | 1,471 |
| Depot bridge | 23,853 | | 23,853 |
| City signs | 2,220 | | 2,220 |
| Unrestricted | 88,276 | 238,703 | 326,979 |
| Total net assets. | \$ 2,944,495 | \$ 461,187 | \$ 3,405,682 |
| Total liabilities and net assets. | \$ 7,191,824 | \$ 485,266 | \$ 7,677,090 |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

| Functions/Programs | Expenses | Program Revenues | | |
|--|--------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities: | | | | |
| General government | \$ 206,119 | \$ 3,005 | \$ 6,460 | \$ 32,073 |
| Public safety | 429,478 | 53,967 | 2,726 | |
| Public works | 391,387 | 18,980 | 58,063 | 4 |
| Community and economic development | 4,131 | | | |
| Recreation and culture | 40,143 | 7,100 | | |
| Interest on long term debt | 197,002 | | | |
| Total governmental activities | \$ 1,268,260 | \$ 83,052 | \$ 67,249 | \$ 32,077 |
| Business-type activity: | | | | |
| Sewer | 130,748 | 116,582 | | |
| Total primary government | \$ 1,399,008 | \$ 199,634 | \$ 67,249 | \$ 32,077 |

General revenues:

Property taxes
State shared revenues
Unrestricted investment income
Franchise fees
Miscellaneous

Total general revenues and special items

Changes in net assets

Net assets - July 1, 2006

Net assets - June 30, 2007

The attached notes are an integral part of the financial statements.

Net (Expense) Revenue and
Changes in Net Assets

| Governmental Activities | Business-type Activity | Total |
|----------------------------|---------------------------|-----------------------|
| \$ (164,581) | \$ - | \$ (164,581) |
| (372,785) | | (372,785) |
| (314,340) | | (314,340) |
| (4,131) | | (4,131) |
| (33,043) | | (33,043) |
| (197,002) | | (197,002) |
| <u>\$ (1,085,882)</u> | <u>\$ -</u> | <u>\$ (1,085,882)</u> |
| | (14,166) | (14,166) |
| \$ (1,085,882) | \$ (14,166) | \$ (1,100,048) |
| 834,015 | | 834,015 |
| 81,607 | | 81,607 |
| 91,247 | 8,446 | 99,693 |
| 11,126 | | 11,126 |
| 4,677 | | 4,677 |
| <u>\$ 1,022,672</u> | <u>\$ 8,446</u> | <u>\$ 1,031,118</u> |
| \$ (63,210) | \$ (5,720) | \$ (68,930) |
| <u>3,007,705</u> | <u>466,907</u> | <u>3,474,612</u> |
| <u>\$ 2,944,495</u> | <u>\$ 461,187</u> | <u>\$ 3,405,682</u> |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

| | General | Major Road Fund | Local Road Fund | Water Debt Fund |
|--|-------------------|------------------|------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 149,993 | \$ 39,308 | \$ 13,921 | \$ 57,494 |
| Receivables: | | | | |
| Taxes | 9,562 | | | |
| Special assessments | | | | 184,692 |
| Other | 11,737 | | | |
| Due from other funds | 64,382 | | | |
| Due from other governments | 21,420 | 6,720 | 2,395 | |
| Total assets. | \$ 257,094 | \$ 46,028 | \$ 16,316 | \$ 242,186 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 12,992 | \$ 536 | \$ 289 | \$ |
| Deposits | 6,535 | | | |
| Deferred revenue | | | | 184,692 |
| Due to other funds | | 45,451 | 16,018 | |
| Due to other governments | 106,842 | | | |
| Total liabilities | \$ 126,369 | \$ 45,987 | \$ 16,307 | \$ 184,692 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service | | | | 57,494 |
| Building code enforcement | 14,905 | | | |
| Rain garden | 1,471 | | | |
| Depot bridge | 23,853 | | | |
| City signs | 2,220 | | | |
| Unreserved, reported in: | | | | |
| General Fund | 88,276 | | | |
| Special Revenue Funds | | 41 | 9 | |
| Capital Project Funds | | | | |
| Total fund balances | \$ 130,725 | \$ 41 | \$ 9 | \$ 57,494 |
| Total liabilities and fund balances | \$ 257,094 | \$ 46,028 | \$ 16,316 | \$ 242,186 |

The attached notes are an integral part of the financial statements.

| SAD 1,2 &4 2002 Bond Retirement Fund | SAD 3 2003 Bond Retirement Fund | Non-Major Governmental Funds | Total Governmental Funds |
|---|--|------------------------------------|--------------------------------|
| \$ 209,162 | \$ 188,244 | \$ 88,437 | \$ 746,559 |
| | | | 9,562 |
| 358,951 | 367,275 | | 910,918 |
| | 250 | | 11,987 |
| | | | 64,382 |
| | | | 30,535 |
| <u>\$ 568,113</u> | <u>\$ 555,769</u> | <u>\$ 88,437</u> | <u>\$ 1,773,943</u> |
| | | | |
| \$ | \$ | \$ 2,434 | \$ 16,251 |
| | | | 6,535 |
| 358,951 | 367,275 | | 910,918 |
| | | | 61,469 |
| | | | 106,842 |
| <u>\$ 358,951</u> | <u>\$ 367,275</u> | <u>\$ 2,434</u> | <u>\$ 1,102,015</u> |
| | | | |
| 209,162 | 188,494 | 25,577 | 480,727 |
| | | | 14,905 |
| | | | 1,471 |
| | | | 23,853 |
| | | | 2,220 |
| | | | 68,276 |
| | | 22,076 | 22,126 |
| | | 38,350 | 38,350 |
| <u>\$ 209,162</u> | <u>\$ 188,494</u> | <u>\$ 66,003</u> | <u>\$ 671,928</u> |
| <u>\$ 568,113</u> | <u>\$ 555,769</u> | <u>\$ 88,437</u> | <u>\$ 1,773,943</u> |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2007

Total governmental fund balances. \$ 671,928

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not financial
resources, and are not reported in the governmental funds:

| | | |
|-------------------------------|--------------------|-----------|
| Governmental capital assets | \$6,533,888 | |
| Less accumulated depreciation | <u>(1,052,333)</u> | 5,481,555 |

| | |
|--|---------|
| Special assessments are expected to be collected over several years, and are not available to pay for current year expenditures. | 910,918 |
|--|---------|

| | |
|---|-------------|
| Long-term liabilities are not due and payable in the current period and are not reported in the funds including related accrued interest. | (4,119,906) |
|---|-------------|

| | |
|---|---------------------|
| Net assets of governmental activities | <u>\$ 2,944,495</u> |
|---|---------------------|

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

| | General | Major Road Fund | Local Road Fund | Water Debt Fund |
|---|-------------|-----------------|-----------------|-----------------|
| Revenues: | | | | |
| Taxes | \$ 622,635 | \$ | \$ | \$ |
| Licenses and permits | 43,278 | | | |
| Federal sources | 8,493 | | | |
| State sources | 84,849 | 40,931 | 14,583 | |
| Local sources | 3,005 | | | |
| Charges for services | 34,726 | | | |
| Fines and forfeitures | 10,569 | | | |
| Interest and rents | 10,919 | 1,020 | 356 | 16,937 |
| Other | 36,750 | | | 40,275 |
| Total revenues | \$ 855,224 | \$ 41,951 | \$ 14,939 | \$ 57,212 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 188,159 | | | |
| Public safety | 406,433 | | | |
| Public works | 49,993 | 54,135 | 26,359 | |
| Community and economic development | 4,131 | | | |
| Recreation and culture | 35,829 | | | |
| Other | 39,331 | | | |
| Capital outlay | 8,271 | | | |
| Debt service: | | | | |
| Principal payments | 31,255 | | | 30,000 |
| Interest and fiscal charges | 4,072 | | | 13,367 |
| Total expenditures | \$ 767,468 | \$ 54,135 | \$ 26,359 | \$ 43,367 |
| Excess of revenues over (under) expenditures | \$ 87,756 | \$ (12,184) | \$ (11,420) | \$ 13,845 |
| Other financing sources (uses): | | | | |
| Operating transfers in | | 12,200 | 11,400 | |
| Operating transfers out | (23,600) | | | |
| Total other financing sources (uses) | \$ (23,600) | \$ 12,200 | \$ 11,400 | \$ - |
| Excess of revenues and other sources over (under) expenditures and other uses | \$ 64,156 | \$ 16 | \$ (20) | \$ 13,845 |
| Fund balance - July 1, 2006 | 66,569 | 25 | 29 | 43,649 |
| Fund balance - June 30, 2007 | \$ 130,725 | \$ 41 | \$ 9 | \$ 57,494 |

The attached notes are an integral part of the financial statements.

| SAD 1,2 & 4 2002 Bond Retirement Fund | SAD 3 2003 Bond Retirement Fund | Non-Major Governmental Funds | Total Governmental Funds |
|--|--|------------------------------------|--------------------------------|
| \$ | \$ | \$ 211,380 | \$ 834,016 |
| | | | 43,279 |
| | | | 8,493 |
| | | | 140,363 |
| | | | 3,005 |
| | | | 34,726 |
| | | | 10,569 |
| 28,975 | 30,043 | 5,597 | 93,847 |
| 39,998 | 44,931 | | 161,954 |
| \$ 68,973 | \$ 74,974 | \$ 216,977 | \$ 1,330,250 |
| | | | 188,153 |
| | | | 406,433 |
| | | 12,298 | 142,785 |
| | | | 4,131 |
| | | | 35,829 |
| | | | 39,331 |
| | | | 8,271 |
| 60,000 | 60,000 | 70,000 | 251,255 |
| 22,320 | 23,198 | 137,145 | 200,102 |
| \$ 82,320 | \$ 83,198 | \$ 219,443 | \$ 1,276,290 |
| \$ (13,347) | \$ (8,224) | \$ (2,466) | \$ 53,960 |
| | | | 23,600 |
| | | | (23,600) |
| \$ - | \$ - | \$ - | \$ - |
| \$ (13,347) | \$ (8,224) | \$ (2,466) | \$ 53,960 |
| 222,509 | 196,718 | 88,489 | 617,968 |
| \$ 209,162 | \$ 188,494 | \$ 86,003 | \$ 671,928 |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2007

Net change in fund balances - total governmental fund. \$ 53,960

Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

| | | |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 9,880 | |
| Less current year depreciation | <u>(256,205)</u> | (246,325) |

Special assessment revenues are recorded in the statement of
activities when the assessment is set; they are not reported
in the funds until collected or collectible within 60 days
of year end. (125,200)

Accrued interest is recorded in the statement of activities. 3,100

Repayment of bond principal is an expenditure in the governmental
funds, but not in the statement of activities (where it
reduces long-term debt). 251,255

| | |
|--|--------------------|
| Change in net assets of governmental activities. | <u>\$ (63,210)</u> |
|--|--------------------|

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

June 30, 2007

| | Business-type Activity Sewer Fund |
|--|--|
| ASSETS | |
| Current assets: | |
| Cash and cash equivalents | \$ 248,686 |
| Receivables: | |
| Customers | 19,146 |
| Total current assets | \$ 262,782 |
| Noncurrent assets: | |
| Capital assets, net | 222,484 |
| Total noncurrent assets | \$ 222,484 |
| Total assets | \$ 485,266 |
| LIABILITIES AND NET ASSETS | |
| Current liabilities: | |
| Accounts payable | \$ 21,874 |
| Due to other funds | 2,205 |
| Total current liabilities | \$ 24,079 |
| Net assets: | |
| Invested in capital assets | 222,484 |
| Unrestricted | 238,703 |
| Total net assets | \$ 461,187 |
| Total liabilities and net assets | \$ 485,266 |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2007

| | Business-type Activity |
|--------------------------------------|---------------------------|
| | Sewer Fund |
| Operating revenue: | |
| Sewer usage charges. | \$ 115,371 |
| Late fees and miscellaneous. | 1,211 |
| Total operating revenue. | \$ 116,582 |
| Operating expenses: | |
| Contractual services | 91,370 |
| Administrative salaries. | 3,105 |
| Postage and supplies | 971 |
| Insurance. | 837 |
| Professional fees. | 4,444 |
| Miscellaneous. | 270 |
| Depreciation | 29,751 |
| Total operating expenses | \$ 130,748 |
| Operating Income (loss). | \$ (14,166) |
| Nonoperating revenues: | |
| Interest income. | 8,446 |
| Total nonoperating revenues. | \$ 8,446 |
| Change in net assets | \$ (5,720) |
| Net assets - July 1, 2006. | 466,907 |
| Net assets - June 30, 2007 | \$ 461,187 |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE - ENTERPRISE FUND

For the Year Ended June 30, 2007

| | Business-type Activity Sewer Fund |
|---|--|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 122,121 |
| Payments to suppliers | (80,840) |
| Payments to employees | (3,105) |
| Net cash provided by operating activities | \$ 38,176 |
| Cash flows from noncapital financing activities: | |
| Receipt of Interfund balance. | 84,347 |
| Cash flows from investing activities: | |
| Interest income | 8,446 |
| Net Increase in cash and cash equivalents | \$ 130,969 |
| Cash and cash equivalents - July 1, 2006. | 112,667 |
| Cash and cash equivalents - June 30, 2007 | \$ 243,636 |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | \$ (14,166) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | |
| Depreciation and amortization | 29,751 |
| Changes in assets and liabilities: | |
| (Increase) decrease in receivables. | 5,539 |
| Increase (decrease) in accounts payable | 19,668 |
| Increase (decrease) in due to other funds | (2,616) |
| | \$ 22,591 |
| Net cash provided by operating activities | \$ 38,176 |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2007

| | <u>Agency Funds</u> |
|-------------------------------------|-------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 708</u> |
| Total assets. | <u>\$ 708</u> |
| LIABILITIES | |
| Due to other funds. | <u>\$ 708</u> |
| Total liabilities | <u>\$ 708</u> |

The attached notes are an integral part of the financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of the Village of Clarkston (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of the Village of Clarkston.

Reporting Entity

The City of the Village of Clarkston is governed by an elected seven-member Council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be account for in another fund.

Major Road Fund

The Major Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Road Fund

The Local Road Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by State-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Water Debt Fund

The Water Debt fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 1, 2 and 4 2002 Bond Retirement Fund

The SAD 1, 2 and 4 2002 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

SAD 3 2003 Bond Retirement Fund

The SAD 3 2003 Bond Retirement Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the City's water system.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the Proprietary Funds and Trust Funds).

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)Proprietary Fund

The City reports the following major proprietary fund:

Sewer Fund

The Sewer Fund accounts for the operation, maintenance and distribution of the sewage system.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Sewer Fund relates to charges to customers for sales and services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Taxes

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on September 1, at which time penalties and interest are assessed.

The 2006 taxable valuation of the City, assessed as of December 31, 2005, totaled \$46,994,360, and is used for the July 1, 2006 tax bills; this resulted in property tax revenue as follows:

| | <u>Mills Levied</u> | <u>Property Taxes</u> |
|--------------------|-------------------------|---------------------------|
| General operations | 13.1979 | \$620,227 |
| Debt service | 4.5004 | \$211,494 |

Assets, Liabilities, and Net Assets or EquityCash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in mutual funds.

For purposes of the Statement of Cash Flows, the City considered cash deposits and certificates of deposits with a maturity of three months or less when purchased to be cash equivalents.

Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE A - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include land, buildings, building improvements, vehicles, furniture, machinery and equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets. The City has elected not to retroactively report infrastructure assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

| | <u>Years</u> |
|------------------------------------|--------------|
| Land Improvements | 15-30 |
| Sewer System | 40 |
| Buildings and Improvements | 30-50 |
| Vehicles | 6 |
| Machinery and Equipment, Furniture | 5-25 |
| Water System | 30 |
| Roads | 20 |

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For proprietary fund types, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and net of any deferred charges on bond refundings. Issuance costs are reported as deferred charges.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE B - Stewardship, Compliance, and AccountabilityBudgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Clerk has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The Clerk can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of the Village of Clarkston incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

| <u>Fund</u> | <u>Activity</u> | <u>Budget Appropriation</u> | <u>Actual Expenditure</u> | <u>Budget Variance</u> |
|-------------|-------------------------|---------------------------------|-------------------------------|----------------------------|
| General | Operating transfers out | \$ | \$ 23,600 | \$ 23,600 |
| Major Road | Equipment rental | | 8,381 | 8,381 |
| Major Road | Winter maintenance | | 9,202 | 9,202 |
| Major Road | Salaries | 22,000 | 25,070 | 3,070 |

The City does not adopt a budget for Mill Pond Lake Improvement Board. The City collects the special assessment and pays the bills authorized by the lake board. Since the City does not initiate the expenditures they have not adopted a budget.

NOTE C - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer keeps a list of approved banks. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE C - Deposits and Investments (continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$636,674 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the City had no investments.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE D - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets being depreciated: | | | | |
| Building and improvements | \$ 74,204 | \$ 3,880 | \$ | \$ 78,084 |
| Land improvements | 89,068 | | | 89,068 |
| Police vehicles | 48,470 | | | 48,470 |
| Machinery and equipment | 398,738 | 6,000 | | 404,738 |
| Furniture and fixtures | 53,795 | | | 53,795 |
| Roads | 1,581,593 | | | 1,581,593 |
| Water system | <u>4,278,140</u> | | | <u>4,278,140</u> |
| Subtotal | \$6,524,008 | \$ 9,880 | \$ | \$6,533,888 |
| Less accumulated depreciation for: | | | | |
| Building and improvements | 41,034 | 1,726 | | 42,760 |
| Land improvements | 71,925 | 2,312 | | 74,237 |
| Police vehicles | 35,560 | 7,818 | | 43,378 |
| Machinery and equipment | 226,401 | 18,163 | | 244,564 |
| Furniture and fixtures | 33,259 | 4,503 | | 37,762 |
| Roads | 198,390 | 79,079 | | 277,469 |
| Water system | <u>249,559</u> | <u>142,604</u> | | <u>392,163</u> |
| Subtotal | \$ 798,128 | \$ 256,205 | \$ | \$1,054,333 |
| Net capital assets - governmental activities | <u>\$5,725,880</u> | <u>\$ (246,325)</u> | <u>\$</u> | <u>\$5,479,555</u> |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type activities: | | | | |
| Capital assets being depreciated: | | | | |
| Sewer system | \$1,177,272 | \$ | \$ | \$1,177,272 |
| Machinery and equipment | <u>1,595</u> | | | <u>1,595</u> |
| Subtotal | \$1,178,867 | \$ | \$ | \$1,178,867 |
| Less accumulated depreciation for: | | | | |
| Sewer system | 925,967 | 29,432 | | 955,399 |
| Machinery and equipment | <u>665</u> | <u>319</u> | | <u>984</u> |
| Subtotal | \$ 926,632 | \$ 29,751 | \$ | \$ 956,383 |
| Net capital assets - governmental activities | <u>\$ 252,235</u> | <u>\$ (29,751)</u> | <u>\$</u> | <u>\$ 222,484</u> |

Depreciation expense was charged to programs of the primary government as follows:

| | |
|----------------------------------|------------------|
| Governmental activities: | |
| General government | \$ 6,515 |
| Public safety | 8,774 |
| Public works | 236,602 |
| Recreation and culture | <u>4,314</u> |
| Total governmental activities | <u>\$256,205</u> |
| Business-type activities: | |
| Sewer | <u>\$ 29,751</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE E - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2007:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------------|------------------|
| General Fund | Major Street Fund | \$ 45,451 |
| | Local Street Fund | 16,018 |
| | Sewer Fund | 2,205 |
| | Tax Fund | <u>708</u> |
| | Total General Fund | \$ 64,382 |
| | Total interfund receivable | <u>\$ 64,382</u> |

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

| <u>Transfers in</u> | <u>Transfers (Out)</u> | |
|---------------------|------------------------|-----------------|
| | <u>General Fund</u> | <u>Total</u> |
| Major Road Fund | \$12,200 | \$12,200 |
| Local Road Fund | <u>11,400</u> | <u>11,400</u> |
| | <u>\$23,600</u> | <u>\$23,600</u> |

Transfers from the General Fund to the Major Road and Local Road Funds is to subsidize the cost of road expenditures.

NOTE F - Long-Term Debt:

The following is a summary of general long-term debt transactions of the City for the year ended June 30, 2007:

| | <u>General Long-Term Debt</u> | | | | |
|---------------------------------|-------------------------------|---------------------------------|---------------------------------|---------------------------|---------------------------------|
| | <u>Total</u> | <u>General Obligation Bonds</u> | <u>Special Assessment Bonds</u> | <u>Equipment Contract</u> | <u>Capital Lease Obligation</u> |
| Long-term debt at July 1, 2006 | \$4,320,260 | \$2,770,000 | \$1,450,000 | \$ 98,225 | \$ 2,035 |
| Payments made during the year | <u>(251,254)</u> | <u>(70,000)</u> | <u>(150,000)</u> | <u>(30,310)</u> | <u>(944)</u> |
| Long-term debt at June 30, 2007 | <u>\$4,069,006</u> | <u>\$2,700,000</u> | <u>\$1,300,000</u> | <u>\$ 67,915</u> | <u>\$ 1,091</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued):General Obligation Bonds:

On July 14, 2000 the City sold \$800,000 Unlimited Tax General Obligation Bonds for the purpose of constructing a water supply system. On July 12, 2007 these bonds were refunded, see Note L for additional details. The bonds bear interest at a rate of 4.75% to 6.00%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 40,390 | \$ 20,000 |
| 2009 | 39,355 | 20,000 |
| 2010 | 38,310 | 20,000 |
| 2011 | 37,255 | 20,000 |
| 2012 | 36,056 | 25,000 |
| 2013 | 34,706 | 25,000 |
| 2014 | 32,776 | 45,000 |
| 2015 | 30,115 | 50,000 |
| 2016 | 27,135 | 55,000 |
| 2017 | 23,555 | 70,000 |
| 2018 | 19,513 | 70,000 |
| 2019 | 15,435 | 70,000 |
| 2020 | 11,175 | 75,000 |
| 2021 | 6,731 | 75,000 |
| 2022 | <u>2,250</u> | <u>75,000</u> |
| | <u>\$394,757</u> | <u>\$ 715,000</u> |

On March 18, 2002 the City sold \$995,000 of 2002 General Obligation Unlimited Tax Bonds, Series A, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 43,265 | \$ 30,000 |
| 2009 | 42,065 | 30,000 |
| 2010 | 40,865 | 30,000 |
| 2011 | 39,556 | 35,000 |
| 2012 | 38,018 | 40,000 |
| 2013 | 36,231 | 45,000 |
| 2014 | 34,175 | 50,000 |
| 2015 | 31,838 | 55,000 |
| 2016 | 29,335 | 55,000 |
| 2017 | 26,660 | 60,000 |
| 2018 | 23,625 | 65,000 |
| 2019 | 20,250 | 70,000 |
| 2020 | 16,750 | 70,000 |
| 2021 | 13,125 | 75,000 |
| 2022 | 9,375 | 75,000 |
| 2023 | 5,625 | 75,000 |
| 2024 | <u>1,875</u> | <u>75,000</u> |
| | <u>\$452,633</u> | <u>\$ 935,000</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued):

On June 3, 2002 the City sold \$995,000 of 2002 General Obligation Unlimited Tax Bonds, Series B, for the construction of water improvements. The bonds bear interest of 4.00% to 7.00%. Schedule of required principal and interest payments is as follows:

| <u>Year ended June 30,</u> | <u>Annual Interest</u> | <u>Annual Principal</u> |
|--------------------------------|----------------------------|-----------------------------|
| 2008 | \$ 40,635 | \$ 30,000 |
| 2009 | 39,435 | 30,000 |
| 2010 | 38,135 | 35,000 |
| 2011 | 36,709 | 35,000 |
| 2012 | 35,123 | 40,000 |
| 2013 | 33,362 | 40,000 |
| 2014 | 31,490 | 45,000 |
| 2015 | 29,443 | 45,000 |
| 2016 | 27,232 | 50,000 |
| 2017 | 24,845 | 50,000 |
| 2018 | 22,258 | 55,000 |
| 2019 | 19,507 | 55,000 |
| 2020 | 16,633 | 60,000 |
| 2021 | 13,475 | 65,000 |
| 2022 | 9,997 | 70,000 |
| 2023 | 6,209 | 75,000 |
| 2024 | <u>2,120</u> | <u>80,000</u> |
| | <u>\$426,628</u> | <u>\$ 960,000</u> |

On October 9, 2002 the City sold \$210,000 of 2002C General Obligation Unlimited Tax Bonds for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.75% to 6.75%. Schedule of required principal and interest payments is as follows:

| <u>Year ended June 30,</u> | <u>Annual Interest</u> | <u>Annual Principal</u> |
|--------------------------------|----------------------------|-----------------------------|
| 2008 | \$ 8,089 | \$ 5,000 |
| 2009 | 7,901 | 5,000 |
| 2010 | 7,617 | 10,000 |
| 2011 | 7,238 | 10,000 |
| 2012 | 6,852 | 10,000 |
| 2013 | 6,463 | 10,000 |
| 2014 | 6,073 | 10,000 |
| 2015 | 5,678 | 10,000 |
| 2016 | 5,270 | 10,000 |
| 2017 | 4,850 | 10,000 |
| 2018 | 4,420 | 10,000 |
| 2019 | 3,980 | 10,000 |
| 2020 | 3,416 | 15,000 |
| 2021 | 2,726 | 15,000 |
| 2022 | 2,025 | 15,000 |
| 2023 | 1,316 | 15,000 |
| 2024 | <u>480</u> | <u>20,000</u> |
| | <u>\$ 84,394</u> | <u>\$ 190,000</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued):Special Assessment Bonds:

On October 17, 2000 the City sold \$400,000 Special Assessments Limited Tax Bonds for the construction of water improvements. The bonds bear interest at a rate of 4.60% to 7.60%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 11,623 | \$ 30,000 |
| 2009 | 10,190 | 30,000 |
| 2010 | 8,735 | 30,000 |
| 2011 | 7,250 | 30,000 |
| 2012 | 5,862 | 25,000 |
| 2013 | 4,581 | 25,000 |
| 2014 | 3,288 | 25,000 |
| 2015 | 1,981 | 25,000 |
| 2016 | 662 | 25,000 |
| | <u>\$ 54,172</u> | <u>\$ 245,000</u> |

On October 9, 2002 the City sold \$815,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.25%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 20,125 | \$ 60,000 |
| 2009 | 18,235 | 60,000 |
| 2010 | 16,255 | 60,000 |
| 2011 | 14,185 | 60,000 |
| 2012 | 12,025 | 50,000 |
| 2013 | 10,150 | 50,000 |
| 2014 | 8,200 | 50,000 |
| 2015 | 6,200 | 50,000 |
| 2016 | 4,200 | 50,000 |
| 2017 | 2,125 | 50,000 |
| | <u>\$111,700</u> | <u>\$ 540,000</u> |

On January 6, 2002 the City sold \$725,000 of Special Assessment Limited Tax Bonds, for the purpose of funding construction of phase II of the water supply system. The bonds bear interest at a rate of 3.00% to 4.65%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 21,020 | \$ 55,000 |
| 2009 | 19,095 | 55,000 |
| 2010 | 17,315 | 55,000 |
| 2011 | 15,025 | 50,000 |
| 2012 | 13,075 | 50,000 |
| 2013 | 11,075 | 50,000 |
| 2014 | 8,950 | 50,000 |
| 2015 | 6,825 | 50,000 |
| 2016 | 4,575 | 50,000 |
| 2017 | 2,325 | 50,000 |
| | <u>\$119,280</u> | <u>\$ 515,000</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE F - Long-Term Debt (continued):Equipment Contracts:

On April 5, 2004 the City entered into a purchase agreement for a wheel loader for \$108,867. The purchase is being financed over a five year period. Annual payment of \$24,066 including interest is required beginning November 5, 2004. Interest is being charged at 4%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 1,816 | \$ 22,250 |
| 2009 | 928 | 23,139 |
| | <u>\$ 2,744</u> | <u>\$ 45,389</u> |

On November 15, 2004 the City entered into a purchase agreement for a man lift for \$46,395. The purchase is being financed over a five year period. Monthly payments of \$851.46 including interest are required beginning December 15, 2004. Interest is being charged at 4.75%. Schedule of required principal and interest payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 813 | \$ 9,553 |
| 2009 | 453 | 9,765 |
| 2010 | 49 | 4,208 |
| | <u>\$ 1,315</u> | <u>\$ 22,526</u> |

Capital Lease Obligations:

On July 14, 2005 the City entered into a lease agreement acquiring a copier in the General Fund at a cost of \$2,850. The agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date on the Statement of Net Assets. The assets are depreciated over the useful life. Depreciation of these assets is included in depreciation expense on the Statement of Activities. The amount of accumulated depreciation on property held under capital leases at June 30, 2007 was \$1,140. Schedule of required interest and principal payments is as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 40 | \$ 1,004 |
| 2009 | | 87 |
| | <u>\$ 40</u> | <u>\$ 1,091</u> |

The annual requirements to amortize all debt outstanding as of June 30, 2007, including interest payments are as follows:

| <u>Year ended</u> <u>June 30,</u> | <u>Annual</u> <u>Interest</u> | <u>Annual</u> <u>Principal</u> |
|--------------------------------------|----------------------------------|-----------------------------------|
| 2008 | \$ 187,816 | \$ 261,807 |
| 2009 | 177,657 | 262,991 |
| 2010 | 167,281 | 244,208 |
| 2011 | 157,218 | 240,000 |
| 2012 | 147,011 | 240,000 |
| 2013-2017 | 556,989 | 1,990,000 |
| 2018-2022 | 236,666 | 1,090,000 |
| 2023-2024 | 17,625 | 340,000 |
| | <u>\$1,647,663</u> | <u>\$4,069,006</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE G - Lease Obligation:

Effective January 1, 2006, the City entered into an agreement to lease facilities in Clarkston, Michigan at a total monthly rental of \$2,000.00, exclusive of maintenance and increases in taxes and insurance, which are also payable by the City as lessee. This is a five year lease set to expire December 31, 2010. For the year ended June 30, 2007, the City paid \$24,000.

The future minimum rental payments required are as follows:

| <u>June 30,</u> | <u>Amount</u> |
|-----------------|---------------|
| 2008 | \$24,000 |
| 2009 | 24,000 |
| 2010 | 24,000 |
| 2011 | 12,000 |

NOTE H - Pending Litigation:

Litigation is currently pending against the City involving various issues. The outcome of these cases cannot be presently determined, however, it is not expected that an adverse decision would exceed insurance coverage. Accordingly, no provision has been made for any potential liability with regard to these lawsuits.

NOTE I - The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Liability and Property Pool for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of God and environmental cleanup losses. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Liability and Property Pool risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE J - Building Code Enforcement:

Public Act 245 of 1999 requires that fees generated from regulation of the construction code may only be used for that purpose. Current year revenues and expenditures are as follows:

| | | |
|---|---------------|-----------------|
| Accumulated revenues over (under) expenditures - July 1, 2006 | | \$ 9,497 |
| Revenue - fees | \$31,697 | |
| Expenditures: | | |
| Inspector fees | \$19,496 | |
| Supplies | 480 | |
| Clerical | 5,000 | |
| Professional fees | <u>1,213</u> | |
| Total expenditures | <u>26,289</u> | |
| Excess of revenues over expenditures | | <u>5,408</u> |
| Accumulated revenues over expenditures - June 30, 2007 | | <u>\$14,905</u> |

Accumulated revenues over expenditures at June 30, 2007 have been recorded as reserved fund balance.

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE K - Segment Information for Enterprise Fund:

The City maintains one Enterprise Fund which provides sewer services. Segment information for the year ended June 30, 2007 was as follows:

| | <u>Sewer Fund</u> |
|----------------------------|-----------------------|
| Operating revenue | \$116,582 |
| Operating income (loss) | (14,166) |
| Nonoperating revenue | 8,446 |
| Net income (loss) | (5,720) |
| Land, building, equipment: | |
| Depreciation | 29,751 |
| Net working capital | 238,703 |
| Total assets | 485,266 |
| Total equity | 461,187 |

NOTE L - Subsequent Event:

On July 12, 2007 general obligation bonds in the amount of \$730,000 were sold for the purpose of retiring \$715,000 of water supply bonds. As a result of the advance refunding, the City reduced its future total debt service requirements by \$39,077, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$33,715.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------------|---|
| Revenues: | | | | |
| Taxes: | | | | |
| Current tax. | \$ 621,860 | \$ 621,059 | \$ 620,412 | \$ (647) |
| Interest and penalty | 3,500 | 2,000 | 2,223 | 223 |
| | <u>\$ 625,360</u> | <u>\$ 623,059</u> | <u>\$ 622,635</u> | <u>\$ (424)</u> |
| Licenses and permits: | | | | |
| Building | 10,100 | 30,475 | 32,152 | 1,677 |
| Cable T.V. franchise | 10,000 | 10,000 | 11,126 | 1,126 |
| | <u>\$ 20,100</u> | <u>\$ 40,475</u> | <u>\$ 43,278</u> | <u>\$ 2,803</u> |
| Federal sources: | | | | |
| Community development block grant. | 8,000 | 6,460 | 6,460 | |
| Police grant | | | 2,033 | 2,033 |
| | <u>\$ 8,000</u> | <u>\$ 6,460</u> | <u>\$ 8,493</u> | <u>\$ 2,033</u> |
| State sources: | | | | |
| State revenue sharing. | 82,084 | 80,000 | 79,890 | (110) |
| Metro Authority. | 2,560 | 2,550 | 2,549 | (1) |
| Liquor licenses. | 1,550 | 1,715 | 1,717 | 2 |
| Other. | | 690 | 693 | 3 |
| | <u>\$ 86,194</u> | <u>\$ 84,955</u> | <u>\$ 84,849</u> | <u>\$ (106)</u> |
| Local sources: | | | | |
| Other. | 2,110 | 2,927 | 3,005 | 78 |
| Charges for services: | | | | |
| Reimbursement of expenses from other funds: | | | | |
| Equipment rental - Major and Local Road Funds. | | | 18,980 | 18,980 |
| Library fees | | | 4,500 | 4,500 |
| Police charges | 13,000 | 11,450 | 11,246 | (204) |
| | <u>\$ 13,000</u> | <u>\$ 11,450</u> | <u>\$ 34,726</u> | <u>\$ 23,276</u> |
| Fines and forfeitures - ordinance fines. | 11,250 | 10,000 | 10,569 | 569 |
| Interest and rents: | | | | |
| Interest earnings. | 2,500 | 8,000 | 8,319 | 319 |
| Rents. | 3,000 | 2,600 | 2,600 | |
| | <u>\$ 5,500</u> | <u>\$ 10,600</u> | <u>\$ 10,919</u> | <u>\$ 319</u> |
| Other: | | | | |
| Contributions. | | 7,555 | 35,099 | 27,544 |
| Miscellaneous. | 1,000 | 1,490 | 1,651 | 161 |
| | <u>\$ 1,000</u> | <u>\$ 9,045</u> | <u>\$ 36,750</u> | <u>\$ 27,705</u> |
| Total revenues | <u>\$ 772,514</u> | <u>\$ 798,971</u> | <u>\$ 855,224</u> | <u>\$ 56,253</u> |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------------|---|
| Expenditures: | | | | |
| General government: | | | | |
| Legislative: | | | | |
| City council: | | | | |
| Council salaries | \$ 7,000 | \$ 7,000 | \$ 6,975 | \$ 25 |
| Dues | 2,250 | 2,250 | 2,250 | |
| Other | 9,523 | 9,643 | 9,641 | 2 |
| | <u>\$ 18,773</u> | <u>\$ 18,893</u> | <u>\$ 18,866</u> | <u>\$ 27</u> |
| Elections: | | | | |
| Fees | 1,050 | 1,750 | 1,749 | 1 |
| Supplies | 1,000 | 575 | 568 | 7 |
| Legal notices | 500 | 350 | 350 | |
| | <u>\$ 2,550</u> | <u>\$ 2,675</u> | <u>\$ 2,667</u> | <u>\$ 8</u> |
| Assessing. | 8,000 | 7,765 | 7,765 | |
| Board of review. | 375 | 375 | | 375 |
| Clerk: | | | | |
| Salary | 2,585 | 2,585 | 2,585 | |
| Other | 2,500 | 3,700 | 3,540 | 160 |
| | <u>\$ 5,085</u> | <u>\$ 6,285</u> | <u>\$ 6,125</u> | <u>\$ 160</u> |
| Treasurer: | | | | |
| Salary | 11,900 | 11,900 | 11,900 | |
| Supplies | 500 | 350 | 538 | (188) |
| Tax roll | 250 | 375 | 375 | |
| | <u>\$ 12,650</u> | <u>\$ 12,625</u> | <u>\$ 12,813</u> | <u>\$ (188)</u> |
| City Hall and grounds: | | | | |
| Wages | 64,210 | 66,210 | 66,774 | (564) |
| Office supplies | 4,000 | 4,500 | 4,512 | (12) |
| Supplies | 4,000 | 4,000 | 4,645 | (645) |
| Parking lot | 3,500 | 3,500 | 3,132 | 368 |
| Engineering | 500 | 2,500 | 2,747 | (247) |
| Telephone | 2,000 | 2,000 | 2,106 | (106) |
| Insurance | 13,069 | 13,069 | 13,069 | |
| Utilities | 3,725 | 3,928 | 4,760 | (832) |
| Building maintenance | 5,200 | 5,200 | 5,724 | (524) |
| Equipment maintenance | 750 | 1,500 | 1,541 | (41) |
| Sidewalk maintenance | 2,500 | 2,500 | 608 | 1,892 |
| Miscellaneous | 452 | 1,100 | 1,099 | 1 |
| | <u>\$ 103,906</u> | <u>\$ 110,007</u> | <u>\$ 110,717</u> | <u>\$ (710)</u> |
| Community development block grant. | 8,000 | 6,460 | 6,460 | |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------------|---|
| Other general services administration activities: | | | | |
| Audit expense. | \$ 12,500 | \$ 9,825 | \$ 9,825 | \$ |
| Legal fees | 12,000 | 12,500 | 12,825 | (325) |
| Miscellaneous. | 100 | 5 | 90 | (85) |
| | <u>\$ 24,600</u> | <u>\$ 22,330</u> | <u>\$ 22,740</u> | <u>\$ (410)</u> |
| Total general government | \$ 183,939 | \$ 187,415 | \$ 188,153 | \$ (738) |
| Public safety: | | | | |
| Police department: | | | | |
| Salaries and wages | 134,991 | 126,945 | 127,308 | (363) |
| Payroll taxes. | 11,500 | 11,000 | 10,783 | 217 |
| Insurance and medical. | 5,500 | 5,260 | 5,246 | 14 |
| Supplies | 3,300 | 3,450 | 5,290 | (1,840) |
| Telephone. | 5,500 | 5,500 | 5,823 | (323) |
| Legal fees | 6,000 | 5,000 | 4,845 | 155 |
| Vehicle and equipment maintenance. | 3,900 | 4,700 | 5,990 | (1,290) |
| Contractual services | 31,700 | 47,250 | 30,111 | 17,139 |
| Gas and oil. | 6,000 | 5,750 | 5,739 | 11 |
| Insurance. | 15,170 | 15,162 | 15,775 | (613) |
| Dispatch | 4,200 | 4,200 | 3,150 | 1,050 |
| Equipment rental | 7,980 | 7,945 | 9,066 | (1,121) |
| Miscellaneous. | 1,620 | 875 | 407 | 468 |
| | <u>\$ 237,861</u> | <u>\$ 243,037</u> | <u>\$ 229,533</u> | <u>\$ 13,504</u> |
| Fire protection. | 155,625 | 150,155 | 150,611 | (456) |
| Building inspector | 6,000 | 24,500 | 26,289 | (1,789) |
| Total public safety. | \$ 398,986 | \$ 417,692 | \$ 406,433 | \$ 11,259 |
| Public works: | | | | |
| Highway and streets: | | | | |
| Gas and oil. | 5,000 | 5,000 | 4,768 | 232 |
| Maintenance and repair - vehicles. | 7,500 | 10,700 | 10,253 | 447 |
| Insurance - vehicles | 3,174 | 3,175 | 3,174 | 1 |
| | <u>\$ 15,674</u> | <u>\$ 18,875</u> | <u>\$ 18,195</u> | <u>\$ 680</u> |
| Street lighting. | 17,000 | 11,350 | 11,711 | (361) |
| Refuse collection. | 675 | 475 | 475 | |
| Tree trimming, tree planting and leaf pickup | 2,600 | 2,372 | 2,321 | 51 |
| Other public works activities: | | | | |
| Sub-watershed expense. | 3,000 | 3,225 | 2,726 | 499 |
| DPW special events | 3,500 | 3,850 | 4,040 | (190) |
| Telephone. | 1,000 | 1,000 | 1,050 | (50) |
| Utilities. | 4,500 | 5,000 | 4,710 | 290 |
| Building supplies. | 1,000 | 1,100 | 1,040 | 60 |
| Building maintenance | 1,800 | 3,700 | 3,725 | (25) |
| | <u>\$ 14,800</u> | <u>\$ 17,875</u> | <u>\$ 17,291</u> | <u>\$ 584</u> |
| Total public works | \$ 50,749 | \$ 50,947 | \$ 49,993 | \$ 954 |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)

For the Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|-------------|---|
| Community and economic development: | | | | |
| Planning | \$ 10,600 | \$ 10,600 | \$ 4,181 | \$ 6,469 |
| Recreation and culture: | | | | |
| Contractual services - Library | 32,500 | 35,720 | 35,829 | (109) |
| Other functions: | | | | |
| Lease | 24,000 | 24,000 | 24,000 | |
| Payroll taxes | 9,700 | 9,600 | 9,596 | 4 |
| Workers compensation insurance | 4,325 | 4,735 | 4,735 | |
| Youth assistance | 1,000 | 1,000 | 1,000 | |
| Total other | \$ 39,025 | \$ 39,335 | \$ 39,331 | \$ 4 |
| Capital outlay: | | | | |
| Police equipment | | 2,270 | 2,271 | (1) |
| Highways and streets | | 6,000 | 6,000 | |
| Total capital outlay | \$ | \$ 8,270 | \$ 8,271 | \$ (1) |
| Debt service: | | | | |
| Principal payments | 35,334 | 35,533 | 31,255 | 4,278 |
| Interest | | 312 | 4,072 | (3,760) |
| Total debt service | \$ 35,334 | \$ 35,845 | \$ 35,327 | \$ 518 |
| Total expenditures | \$ 751,133 | \$ 785,824 | \$ 767,468 | \$ 18,356 |
| Excess of revenues over expenditures | \$ 21,381 | \$ 13,147 | \$ 87,756 | \$ 74,609 |
| Other financing uses: | | | | |
| Transfer to Major Street Fund | | | (12,200) | (12,200) |
| Transfer to Local Street Fund | | | (11,400) | (11,400) |
| Total other financing uses | \$ | \$ | \$ (23,600) | \$ (23,600) |
| Excess of revenues over expenditures and other uses | \$ 21,381 | \$ 13,147 | \$ 64,156 | \$ 51,009 |
| Fund balance - July 1, 2006 | 66,569 | 66,569 | 66,569 | |
| Fund balance - June 30, 2007 | \$ 87,950 | \$ 79,716 | \$ 130,725 | \$ 51,009 |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|--|--------------------|-------------------|--------------------|---|
| Revenues: | | | | |
| State source | \$ 41,000 | \$ 41,000 | \$ 40,931 | \$ (69) |
| Interest | 700 | 700 | 1,020 | 320 |
| Total revenues | \$ 41,700 | \$ 41,700 | \$ 41,951 | \$ 251 |
| Expenditures: | | | | |
| Salaries | 22,000 | 22,000 | 25,070 | (3,070) |
| Payroll taxes | 1,750 | 1,750 | 1,918 | (168) |
| Insurance | 2,535 | 2,535 | 2,557 | (22) |
| Tools and miscellaneous | 2,000 | 2,000 | 666 | 1,334 |
| Supplies | 3,500 | 3,500 | 2,468 | 1,032 |
| Traffic services | 2,250 | 2,250 | 3,873 | (1,623) |
| Equipment rental | | | 8,381 | (8,381) |
| Winter maintenance | | | 9,202 | (9,202) |
| Total expenditures | \$ 34,035 | \$ 34,035 | \$ 54,135 | \$ (20,100) |
| Excess of revenues over (under) expenditures | \$ 7,665 | \$ 7,665 | \$ (12,184) | \$ (19,849) |
| Other financing sources (uses): | | | | |
| Operating transfers in | | | 12,200 | 12,200 |
| Operating transfer out | (7,500) | (7,500) | | 7,500 |
| Total other financing sources (uses) | \$ (7,500) | \$ (7,500) | \$ 12,200 | \$ 19,700 |
| Excess of revenues and other sources over (under) expenditures and other uses | \$ 165 | \$ 165 | \$ 16 | \$ (149) |
| Fund balance - July 1, 2006 | 25 | 25 | 25 | |
| Fund balance - June 30, 2007 | \$ 190 | \$ 190 | \$ 41 | \$ (149) |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Favorable (Unfavorable) |
|---|--------------------|-------------------|-------------|---|
| Revenues: | | | | |
| State sources | \$ 15,000 | \$ 15,000 | \$ 14,583 | \$ (417) |
| Interest | 200 | 200 | 358 | 156 |
| Total revenues | \$ 15,200 | \$ 15,200 | \$ 14,939 | \$ (261) |
| Expenditures: | | | | |
| Salaries | 12,500 | 12,500 | 13,500 | (1,000) |
| Payroll taxes | 1,000 | 1,000 | 727 | 273 |
| Insurance | 1,365 | 1,365 | 1,377 | (12) |
| Tools and miscellaneous | 1,200 | 1,200 | 358 | 842 |
| Supplies | 2,500 | 2,500 | 1,329 | 1,171 |
| Traffic service | 1,500 | 1,500 | 2,086 | (586) |
| Equipment rental | | | 1,798 | (1,798) |
| Winter maintenance | 2,500 | 2,500 | 5,184 | (2,684) |
| Total expenditures | \$ 22,565 | \$ 22,565 | \$ 26,359 | \$ (3,794) |
| Excess of revenues over (under) expenditures | \$ (7,365) | \$ (7,365) | \$ (11,420) | \$ (4,055) |
| Other financing sources: | | | | |
| Operating transfers in | 7,500 | 7,500 | 11,400 | 3,900 |
| Excess of revenues and other sources over (under) expenditures | \$ 135 | \$ 135 | \$ (20) | \$ (155) |
| Fund balance - July 1, 2006 | 29 | 29 | 29 | |
| Fund balance - June 30, 2007 | \$ 164 | \$ 164 | \$ 9 | \$ (155) |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTAL INFORMATION

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2007

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total Non-Major Governmental Funds |
|--|-----------------------------|--------------------------|-----------------------------|---|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 24,510 | \$ 25,577 | \$ 38,350 | \$ 88,437 |
| Total assets. | \$ 24,510 | \$ 25,577 | \$ 38,350 | \$ 88,437 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable. | \$ 2,434 | \$ | \$ | \$ 2,434 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service. | | 25,577 | | 25,577 |
| Unreserved. | 22,076 | | 38,350 | 60,426 |
| Total fund balances | \$ 22,076 | \$ 25,577 | \$ 38,350 | \$ 86,003 |
| Total liabilities and fund balances . . . | \$ 24,510 | \$ 25,577 | \$ 38,350 | \$ 88,437 |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS
 June 30, 2007

| | Mill Pond Lake Improvement Board | Total |
|---|---|-----------|
| ASSETS | | |
| Cash and cash equivalents | \$ 24,510 | \$ 24,510 |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable. | \$ 2,434 | \$ 2,434 |
| Fund balances - unreserved. | 22,076 | 22,076 |
| Total liabilities and fund balances | \$ 24,510 | \$ 24,510 |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
June 30, 2007

| | Debt Service Fund | 2002A GO Debt Retirement Fund | 2002B GO Debt Retirement Fund | 2002C GO Debt Retirement Fund | Total |
|--|-------------------------|--|--|--|------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 9,785 | \$ 7,712 | \$ 7,367 | \$ 713 | \$ 25,577 |
| Total assets. | \$ 9,785 | \$ 7,712 | \$ 7,367 | \$ 713 | \$ 25,577 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Fund balances: | | | | | |
| Reserved for debt service | \$ 9,785 | \$ 7,712 | \$ 7,367 | \$ 713 | \$ 25,577 |
| Total liabilities and fund balances . . . | \$ 9,785 | \$ 7,712 | \$ 7,367 | \$ 713 | \$ 25,577 |

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
June 30, 2007

| | 2003 Special Assessment Construction Fund | Total |
|---|--|------------------|
| | <u>Fund</u> | <u>Total</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 38,350 | \$ 38,350 |
| Total assets | <u>\$ 38,350</u> | <u>\$ 38,350</u> |
| LIABILITIES AND FUND BALANCES | | |
| Fund balances - unreserved | \$ 38,350 | \$ 38,350 |
| Total liabilities and fund balances | <u>\$ 38,350</u> | <u>\$ 38,350</u> |

CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2007

| | Special Revenue Funds | Debt Service Funds | Capital Project Funds | Total Non-Major Governmental Funds |
|--|-----------------------------|--------------------------|-----------------------------|---|
| Revenues: | | | | |
| Taxes | \$ | \$ 211,380 | \$ | \$ 211,380 |
| Interest | 1,135 | 1,534 | 2,928 | 5,597 |
| Total revenues | \$ 1,135 | \$ 212,914 | \$ 2,928 | \$ 216,977 |
| Expenditures: | | | | |
| Current: | | | | |
| Public works | 7,435 | | 4,863 | 12,298 |
| Debt service: | | | | |
| Principal payments | | 70,000 | | 70,000 |
| Interest and fiscal charges | | 137,145 | | 137,145 |
| Total expenditures | \$ 7,435 | \$ 207,145 | \$ 4,863 | \$ 219,443 |
| Excess of revenues over (under) expenditures . . | \$ (6,300) | \$ 5,769 | \$ (1,935) | \$ (2,466) |
| Fund balance - July 1, 2006 | 28,376 | 19,808 | 40,285 | 88,469 |
| Fund balance - June 30, 2007 | \$ 22,076 | \$ 25,577 | \$ 38,950 | \$ 86,003 |

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2007

| | Mill Pond Lake Improvement Board | Total |
|--|---|------------|
| Revenues: | | |
| Interest | \$ 1,135 | \$ 1,135 |
| Total revenues | \$ 1,135 | \$ 1,135 |
| Expenditures: | | |
| Current: | | |
| Public works | 7,435 | 7,435 |
| Total expenditures | \$ 7,435 | \$ 7,435 |
| Excess of revenues over (under) expenditures . . . | \$ (6,300) | \$ (6,300) |
| Fund balance - July 1, 2006. | 28,376 | 28,376 |
| Fund balance - June 30, 2007 | \$ 22,076 | \$ 22,076 |

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2007

| | Debt Service Fund | 2002A GO Debt Retirement Fund | 2002B GO Debt Retirement Fund | 2002C GO Debt Retirement Fund | Total |
|--|-------------------------|--|--|--|------------|
| Revenues: | | | | | |
| Taxes | \$ 62,930 | \$ 60,921 | \$ 73,813 | \$ 13,716 | \$ 211,380 |
| Interest and penalties | 776 | 299 | 385 | 74 | 1,534 |
| Total revenues | \$ 63,706 | \$ 61,220 | \$ 74,198 | \$ 13,790 | \$ 212,914 |
| Expenditures: | | | | | |
| Debt service: | | | | | |
| Principal payments | 20,000 | 15,000 | 30,000 | 5,000 | 70,000 |
| Interest and fiscal charges | 41,690 | 44,612 | 42,146 | 8,697 | 137,145 |
| Total expenditures | \$ 61,690 | \$ 59,612 | \$ 72,146 | \$ 13,697 | \$ 207,145 |
| Excess of revenues over expenditures . . | \$ 2,016 | \$ 1,608 | \$ 2,052 | \$ 93 | \$ 5,769 |
| Fund balance - July 1, 2006 | 7,769 | 6,104 | 5,315 | 620 | 19,808 |
| Fund balance - June 30, 2007 | \$ 9,785 | \$ 7,712 | \$ 7,367 | \$ 713 | \$ 25,577 |

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CITY OF THE VILLAGE OF CLARKSTON, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2007

| | 2003 Special Assessment Construction Fund | Total |
|--|--|------------|
| Revenues: | | |
| Interest | \$ 2,928 | \$ 2,928 |
| Total revenues | \$ 2,928 | \$ 2,928 |
| Expenditures: | | |
| Current: | | |
| Public works | 4,863 | 4,863 |
| Excess of revenues over (under) expenditures . . . | \$ (1,935) | \$ (1,935) |
| Fund balance - July 1, 2006. | 40,285 | 40,285 |
| Fund balance - June 30, 2007 | \$ 38,350 | \$ 38,350 |

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

**300 EAST LONG LAKE ROAD, SUITE 360
BLOOMFIELD HILLS, MICHIGAN 48304-2377**

50
YEARS
1954-2004

**FREDERICK C. JANZ
ROBERT J. KNIGHT
KENNETH E. ZINK
JOHN M. FOSTER**

**JOHN W. MACKEY
MICHAEL V. HIGGINS
JOHN E. MIELKE, JR.
DAWN M. LENGERS
JOSHUA J. LYNN
JAMES A. STEPHENSON, IV
STEPHEN C. OTIS**

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MEMBERS
**AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**
**MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS**

October 1, 2007

**City Council and Management
City of the Village of Clarkston
375 Depot Road
Clarkston, Michigan 48346-1418**

Dear City Council:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of the Village of Clarkston as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City of the Village of Clarkston's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

The adoption of the Michigan Uniform Local Budgeting Act (Act No. 621, Public Acts of 1978), has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amounts. We noted that the budget was amended during the fiscal year in an attempt to comply with the budget requirements. As previously noted, despite the amendments, expenditures exceeded budgeted amounts in various activities. Listed below are the significant budget overruns:

| <u>Fund</u> | <u>Activity</u> | <u>Budget Appropriation</u> | <u>Actual Expenditure</u> | <u>Budget Variance</u> |
|-------------|-------------------------|---------------------------------|-------------------------------|----------------------------|
| General | Operating transfers out | \$ | \$ 23,600 | \$ 23,600 |
| Major Road | Equipment rental | | 8,381 | 8,381 |
| Major Road | Winter maintenance | | 9,202 | 9,202 |
| Major Road | Salaries | 22,000 | 25,070 | 3,070 |

Authorized check signers should never sign a check without the supporting documentation attached or provide a signature on a blank check for a projected future disbursement. A payroll register should accompany the payroll checks as support. The payroll register needs to include each employees name, hours, pay rate and deductions.

Because of the limited office personnel many internal controls are impractical due to the lack of segregation of duties. It is our recommendation that the City Council continuously monitor internal controls and implement as many controls possible to offset risks regarding collections, disbursements, and recording of accounting transactions.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We did not identify any deficiencies which constitute a material weakness.

Additionally, we offer the following general comments and recommendations:

Previous Comments:

During the year the City did implement our recommendation for employee files, but they lacked authorized pay rates as previously recommended. It is recommended that these files be updated to include authorized pay rates.

New Comments:

1. To improve the internal control of wire transfers we recommend that two signatures be required just as it is on a check. This should be for transfers between funds and those to outside parties. Besides this control an outside verification should be received by the bank. To assist in this verification, we recommend that all bank accounts be setup for on-line access. Additional banking controls have been discussed privately with the Clerk.

2. We recommend that before any disbursements are made all invoices generated by the police and DPW department include the department head signature. If it is unclear what is being purchased, a brief description of the item or service should be inserted. This additional control will ensure the expenditure is valid and the property account is charged.

3. It is recommended that all new financial institutions and accounts (checking, savings, CD) be approved by the City Council. It is also generally recommended that authorized check signers be approved annually by the City Council.

4. Due to the lack of segregation of duties it is recommended that the City produce a procedures manual on office/accounting operations in the event the City's key employee is not available. During the creation of this manual it is recommended that the City identify and address any areas they feel the City is at risk.

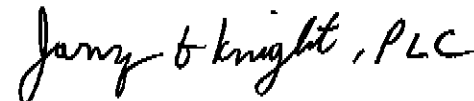
5. The Clerk has access to the general ledger, prepares the payables, and is an authorized check signer. To improve internal control we recommend that after the Mayor signs the checks they go to a party independent of the Clerk for mailing. This will eliminate the risk that a valid check may be altered before mailing.

6. Due to the lack of segregation of duties the Clerk has access to all aspects of cash. We recommend that all bank statements be mailed to an independent party with no access to cash for inspection. Generally, we would recommend that this independent individual also perform the bank reconciliations but realize this may not be feasible. At a minimum the bank reconciliations should be reviewed upon completion by an independent party.

7. Currently, there are inadequate reserves for water major repairs. The City contracts with Independence Township for general repairs and operations of this system but the agreements will not cover repairs of damages from an extraordinary event. The City should investigate the possibility of additional water fees to residents that would be restricted for capital improvements and repairs.

This communication is intended solely for the information and use of the City Council and Management, and others within the City, and not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Janz & Knight, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

J&K/srz